

**Record of Proceedings  
San Miguel Power Association  
Board of Director Meeting Minutes of  
November 24, 2015 (Ridgway)**

**1. CALL TO ORDER**

President Felicelli called the November 24, 2015 meeting of the San Miguel Power Association Board of Directors to order at 9:30 a.m. All Directors were present. [Note—Jim Link is serving as Interim General Manager in addition to General Counsel. When Jim is speaking as GM, it will be noted as such, and when he is speaking as GC, it will be noted as such.]

**2. APPROVAL OF CONSENT AGENDA**

Director Garvey motioned to approve the revised consent agenda that included a corrected copy of the October 29, 2015 meeting minutes. Director Rhoades seconded. The motioned was passed with a unanimous vote.

**3. MEMBER OR CONSUMER COMMENTS**

**A. General Member Comments**

Director Garvey reported that she received an email from a member who was concerned about SMPA employees posting on Facebook during work hours and getting involved in local politics.

Director Justis shared a comment from a member who was concerned after reading Ted Koppel's new book, "Lights Out" about the electric grid collapsing and cyber terrorism. The member asked what SMPA was doing about it. Director Justis shared that he asked a similar question at the recent Energy Innovations Summit meeting in Denver. The presenter did not know of anyone working to prevent these types of attacks. Director Justis wanted to bring this to the attention of Directors so SMPA can learn more about possible attacks and be thinking and learning about it. GM Link shared there are two types of security. The first is physical security which is the actual protection of equipment. There is also cyber security which SMPA has the basics covered and monitored but it is impossible to fully secure everything. Tri-State has more of a presence in securing its transmission lines. SMPA must determine how much money they wish to spend and what level of protection do Directors want. He wanted to share that yes SMPA is aware of security issues and staff will continue to monitor. Director Sibold shared that the book referenced was discussed recently at the Tri-State Board of Director meeting. He echoed what GM Link had shared that Tri-State was monitoring security of its substations and data networks closely. President Felicelli also had a similar comment from a member on this subject.

Director Cokes shared that she was approached by member about the AMI meter opt out fee. This group has approached her before. The member was asking if the membership could vote on the opt out tariff. GM Link shared that there is a procedure in the bylaws that allow members to bring issues up for a vote of the membership. The bylaws are posted on the website.

Director Cokes shared a poster of upcoming Noel Night in Ridgway. The town is quite excited that SMPA is participating. The parade is scheduled for Friday evening on December 4<sup>th</sup>. There are a few logistics to work out. Director Cokes was encouraged to work with Paul Enstrom or Coleman Summers.

**B. Michelle Haynes, Executive Director Region 10**

President Felicelli introduced Michelle Haynes from Region 10. He also noted that Lynn Black, County Administrator from San Miguel County was also present. Michelle thanked Directors for the invitation to make a presentation to them.

Michelle passed out brochures that briefly explains that Region 10 is a council of governments that covers six counties. Their programs cover opportunities for developing local economic development projects. They oversee the Area Agency on Aging to assist seniors in being able to stay in their homes for as long as possible. Region 10 also hosts a small business resource center which offers a variety small business classes. They offer lending opportunities for small business. Region 10 is involved with planning for rural transportation and transit

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opportunities. They work with CDOT on possible routes. Ben Tisdell Ouray county commissioner joined the meeting. The Broadband project falls into the regional economic development category that will benefit all citizens and businesses including healthcare, education to name a few. Region 10 is aware of some businesses that have left the area because there was not adequate access to high speed broadband service and broadband is needed to attract new businesses to the area. The Region 10 board set a strategic goal to develop a plan for bringing broadband to the counties they serve. A consultant, Neo Fiber was hired to assist. A map was displayed that was developed to identify what fiber assets were existing in the area. There are two portions to costs associated with broadband. One is the fiber itself and the second cost is the transport cost which is usually a per mile cost. The transport cost in a rural area can be expensive. The service also requires to be recharged or regenerated at points along the way. Every 4-7 years the use of broadband across the country doubles as more and more electronic devices are purchased by the end consumer i.e. cell phones, home computers, smart TV's etc. Region 10 was faced with developing a plan on how to bring service to communities, how to connect to each other, and how to buildout within communities. A map was displayed showing the fiber assets that SMPA owns that runs from Grand Junction to Albuquerque. Some State and Federal opportunities were targeted as possible funding sources. DMEA has fiber already to their substations. DMEA directors voted to allow the regional plans to use their fiber asset at no cost to support the broadband initiative. The asset was valued at \$2.5 million and used as leverage towards a Division of Local Affairs (DOLA) grant of \$5.2 million. San Miguel County also received a \$300,000 grant. A federal \$1.2 million grant was also received toward economic development. The State of Colorado has \$20 million in grant funding to target broadband in rural areas that Region 10 is applying for.

Both Region 10 and the Paradox Community Trust have had conversations with SMPA staff. There are areas in which SMPA could assist with the project. President Felicelli asked what Region 10 is specifically asking for from SMPA. Region 10 is looking for use of SMPA's fiber asset from Grand Junction to Albuquerque. They are also looking for the use of future fiber assets. If Region 10 were to build assets out completely it is estimated this would cost of \$60 million for a complete build out. With use of current assets it is at \$15 million. Michelle reported that local communities realized the importance of increase broadband and have agreed to fund \$3 million in the project. Phase II will bring in Gunnison, Hinsdale, and Ouray counties. San Miguel County is working with and in parallel with Region 10. Donation or use of existing assets will be used as a leverage in grant application that is due in December. DMEA did donate use of current and future assets for this project. An Indefeasible Right of Use (IRU) was developed. In return DMEA will be given use of the fiber. Region 10's role is only middle mile service. They want to work with private providers to allow access to lines so that service can be extended to end users at a reduced price. Region 10 will be the owner of any fiber lines they build. Owners of existing lines that have an IRU with Region 10 will maintain their lines. Director Justis asked about the Telluride Foundation issue regarding gaining easements and is Region 10 facing similar issue? Michelle stated that they haven't began this process with DMEA on this yet. They expect to face some challenges but DMEA will be taking the lead in gaining the easements in their area. Discussion took place about purchasing and building infrastructure for future needs.

GM Link shared that staff has not had time to determine if existing structures could handle additional fiber lines. Staff is also researching if commercial use is allowed through the existing easements SMPA has in place. Working with Region 10 and looking at possible fiber routes will be key. Discussion took place about the challenge to gain appropriate easement across the service territory. President Felicelli shared that expanding broadband into the area is central to the core values for SMPA. He is in favor of donating the asset or use of the asset. He is not interested in the maintenance of the asset. Discussion continued. Michelle said the project has a two year build out once assets are in place. Lynn Black shared their phase two areas which are a slightly different track than Region 10 but that both projects will benefit. There will be future grant opportunities in which SMPA can participate.

Directors thanked Michelle Haynes for her attendance in explanation of the project. Directors were in favor of GM Link drafting a letter of support towards this project.

#### **4. CEO REPORT**

##### **A. Introduction of Employee Guest, Lester Oltjenbruns, Systems Technician.**

Lester Oltjenbruns was introduced to Directors. He has worked for SMPA for 21 years. He is responsible for SCADA and AMI systems. He assists with meters. He is on the planning committee for and Vice President of the Rocky Mountain Electric Meter Association. Lester has also assisted with the fiber optic connections for SMPA. Lester was thanked for his attendance and his service to SMPA.

##### **B. Board Donations**

Director Rhoades asked that \$100 be donated to the San Juan County Historical Society and \$100 to Area Agency on Aging Region 10.

Director Felicelli asked that \$100 be donated to One to One Mentoring and \$100 to Angel Baskets.

Director Sibold asked to donate \$150 to Dolphin House and \$150 to San Miguel Resource Center and \$200 Mt. Sneffels Education Foundation.

Director Justis asked to donate \$400 to Angel Baskets and \$400 to One To One Mentoring.

Director Alexander asked to donate \$100 to Placerville Volunteer Fire Department and \$100 to Norwood Volunteer Fire Department and \$200 to One To One Mentoring.

##### **E. Rate Analysis Cost of Service Study**

GM Link reported that Power Systems Engineering is continuing to work on the rate analysis and cost of service.

##### **F. Annual Meeting Date & Location**

Director Garvey shared she would like the location of the annual meeting to be held in Nucla. She announced that she plans on seeking re-election to the board. Staff suggested the date of Thursday, June 9, 2016 at 5:30 p.m. Director Garvey motioned to accept the proposed date of June 9<sup>th</sup> at 5:30 in Nucla, Colorado for the annual meeting of members. Director Alexander seconded. The motion was voted on and carried.

##### **G. Finance**

###### **Financial & Statistical Reports**

Directors were provided the financial reports for October 2015 via email earlier today. Directors were given the option to discuss the financial reports today or they could wait until next month. Directors asked to have the financials brought back in December.

###### **October 2015 Expenditure Listing**

Directors reviewed the October accounts payable register. No questions were presented.

###### **2016 Proposed Budget**

Directors were given a brief overview of the 2016 proposed budget by Cal Rutherford. Directors were encouraged to review the budget draft and email GM Link with any questions. He will reply with the answer to all Directors. Staff will be prepared to give a brief presentation of their budget areas in December.

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Cal reported that the operating revenue for 2016 is projected at \$28.6 million which is slightly less than 2015. The trend has shown decreasing kWh sales for the last 3-4 years. The purchase power shows a slight increase of 2%. Director Sibold shared that Tri-State recently approved moving from an all energy rate to a demand and energy rate. He believed it was prudent to stay with the 2% increase. The operating margins are projected slightly over \$700,000 and net margins of \$1.8 million. TIER is projected at 2.38 and OTIER at 1.55 and DSC at 2.04 which all stay in compliance for lenders. The cash flow proposes that SMPA anticipates to borrow the full \$8.4 million in loan funds with RUS. The budget shows the retirement of \$1 million in capital credits in May 2016. Cal reported that there is currently about \$4 million in completed work plan projects that are inspected and eligible for loan funds.

Director Justis questioned the timing and rebuild of the Red Mountain line. Staff advised that project data is still being gathered. There are dollars included for Red Mountain under the construction work plan tab of the budget presented. Staff is anticipating that once the study on Red Mountain is complete it will give path options and costs estimates. The study is underway and should be complete in 3-4 months. Directors will be provided the details when they are received.

Cal reported the sale of assets to Tri-State under BP-109 were not included in the budget. Staff is anticipating the transfer to occur in late 2015. There still is some question as to how monies received from Tri-State can be spent.

President Felicelli shared that some Directors have some concern about proposed purchases in the IT department. GM Link shared that in January department meetings will take place where managers will discuss proposed purchases on a more specific level. The budget presented is a broad brush in which TIER levels are maintained and no rate increase is being projected. Directors are asked to approve the budget on a macro level and because Directors approve a budget doesn't mean that that the all proposed expense will happen. Director Garvey shared she had some suggested changes for adjusting the corporate donation budget.

## **H. Marketing & Member Services**

### **IQ Program**

Brad Zaporski updated Directors about the Income Qualified (IQ) program. SMPA plans to continue the participation with the State as the Low Income Weatherization program but will also partner with Energy Outreach Colorado (EOC) for the IQ program. EOC will increase the income limit and give more of the SMPA membership an opportunity for participation in the program. For every dollar SMPA contributes it leverages \$1-\$3 dollars between the State and EOC. All the monies go to pay for weatherization measures on member homes.

A second part of the program is to have SMPA contribute \$100,000 from the Green Fund for ~~an~~ IQ solar program. It will be similar to the community solar but it will be strictly for income qualified members. By SMPA making a contribution to this facility SMPA can secure a 115 contract with Tri-State. It will be an advantage to lock in a contract with Tri-State soon as the 115 payments will be decreasing in the next three months. Staff is applying for the 115 contract which could leverage up to \$280k in the future all while helping an income qualified members. Brad will be going into negotiations with representatives from the state and will be looking who best to partner with either the State or EOC for the IQ solar project. Brad reported that San Miguel County has preliminarily agreed to allow one acre of their property at the transfer station in Norwood to site the IQ solar garden. Director Justis questioned if this site will also be available to co-locate a larger solar facility in the future. Staff believes that the conversation on a larger facility must be looked at closely. TSGT has stated verbally that SMPA has room for 200 kW of solar installation before the 5% limit is reached. 2 kW is the amount

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proposed for the IQ solar garden. TSGT is entertaining conversation about ideas in which they may increase the 5% limit but discussion is still in early stages. Directors Alexander shared he believed the site location would be favorable. There a 2-3 property owners that may have a visual impact. He likes the concept of the IQ program. Brad received consensus from Directors on proceeding with negotiation with San Miguel County on the IQ site location and submitting the 115 application with Tri-State before the end of the year. Director Alexander was in favor of the IQ solar installation.

#### **Vocational Scholarship**

Alex Shelley was approached by Rick Williams, school counselor in Norwood, about SMPA providing a vocational scholarship. A letter from Mr. Williams was included in each Director packet. His letter encourages the SMPA Directors to consider offering a vocational scholarship separate from the normal SMPA scholarships. Many students he sees in his school district are not seeking further education at a college or university. Many students are seeking to further their skills through a vocational college and many of those institutions are quite expensive. Directors were asked if there was interest in offering a scholarship to students entering a trade school. Staff suggested \$1,500 to one student at each school. Director Garvey suggested increasing the amount to \$2,000 to each school for a total of \$10,000. Discussion took place. Cal Rutherford reported that the unclaimed capital credits balance is over \$300,000. Directors liked the idea of offering a scholarship to those interested in attending a vocational. Director Cokes liked the idea of spreading out the scholarship funds. Many time the same student is receiving many scholarships. A student who receives the \$2,000 SMPA scholarship would not be eligible to receive the vocational scholarship. Staff was directed to return in December with the scholarship guidelines and funding amounts for board consideration.

#### **QF Interconnection**

GM Link asked for board discussion on qualifying facilities (QF). Based on the recent PURPA ruling when a renewable installation wants to connect to an electrical system they must be given the opportunity. Tri-State is proposing that a cooperative can prepare a PURPA waiver where the coop waives their right and the QF must speak with Tri-State. The coop must however provide station power (QF) but the contract and pricing issues are negotiated with Tri-State. Tri-State's published rate for a QF is the avoided cost of energy. Director Sibold shared the avoided costs is calculated differently in each State. Directors were asked about the political issues with passing a QF through to Tri-State. Rather than passing the QF to Tri-State one alternative would be that SMPA could deal with the interconnection issues and build into the rate base a subsidy similar to what DMEA has published. Staff must look closely at how many possible QF's are in the service territory and is there enough in the green fund to cover a subsidy. Another option is to open discussion with towns and seek out their interest in renegotiating their franchise fees to include a surcharge for QF facilities. Discussion took place. Directors shared which option they wanted staff to pursue.

#### **5. ATTORNEY REPORT**

Director Garvey motioned to go into executive session to discuss contracts and personnel issues. Director Cokes seconded. The motion was voted on and carried.

Directors came out of executive session at 2:50 p.m. While in executive session contracts and personnel issues were discussed. No votes were taken and no decisions were made.

Director Alexander motioned to approve the interim General Manager contract and budget override as discussed in executive session. Director Sibold seconded. The motion was voted on and passed unanimously.

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Director Alexander motioned to approve the CEO search firm of Langley & Associates and budget override as discussed in executive session. Director Garvey seconded. No discussion was presented. The motion passed with a unanimous vote from Directors.

## **6. POLICY REVIEW**

Director Garvey requested to receive the updated policies only so that she can update her own book. Carla Reams reported she has policy books for all Directors.

### **A. Sale of Electrical Supplies**

GM Link shared that the policy has been revised to reflect what staff is currently doing. Directors reviewed the policy with changes. Director Rhoades motioned to approve the policy as presented. Director Alexander seconded. The motion was carried.

### **B. Bonds & Insurance Policy**

Directors reviewed the proposed policy and the minor wording changes. Cal Rutherford reported that SMPA has not purchased surety bonds on any employee or Director in many years. GM Link stated that there are significant internal controls to ensure against theft. This is an area that has never been addressed as being a concern in any of the audits. Director Rhoades motioned to approve as presented. Director Alexander seconded. The motion was voted on and carried.

### **C. Wes Perrin Memorial Scholarship**

Directors were informed that 2016 will be the third and final year for the Wes Perrin Memorial Scholarship to be awarded unless Directors would like to continue the scholarship. If Directors are not interested in continuing the scholarship then there was no need to review the scholarship policy. Discussion took place. Director Cokes was in favor of keeping the scholarship. President Felicelli agreed. Director Alexander and Sibold felt the issues involved in administering the scholarship prove to be difficult. Director Garvey felt the same and liked moving toward the vocational scholarship instead. Directors Justis and Rhoades were satisfied with either. Directors reached consensus to award the scholarship this final year and find another project i.e. naming the future IQ solar installation to honor Wes Perrin.

## **7. ASSOCIATED MEETING REPORTS**

### **A. CREA – Dave Alexander**

Director Alexander shared that CREA and Western United would not be meeting until next week.

### **C. Tri-State – Jack Sibold**

Director Sibold shared that the distributive generation council met recently to discuss BP-101, BP-115, & BP117. Discussion took place about some major changes to all of these policies. It is believed that the proposed changes will not be as generous as they have been previously. Tri-State is aware that changes may upset some members. Tri-State has some interest in developing some smaller distributive solar projects on member systems. Tri-State would own the facility. GM Link added that the distributive generation would not be counted as part of SMPA's 5%.

Director Sibold shared that he has reviewed the Tri-State financial forecast. In 2017 and 2018 Tri-State is anticipating significant large capital expenditures that will likely cause a rate increase in both of those years. The forecast does not include the possible impacts of the Clean Power Plan or if Kit Carson were to buy out of the Tri-State contract.

**D. Eco Action Partners**

Director Sibold was unable to attend the last meeting.

**9. BOARD TRAVEL**

**A. CREA Annual meeting**

Directors were advised of the CREA Annual meeting dates in February. Directors were asked to notify Toni Bertorello if they were interested in attending any of the Director training classes or the annual meeting presentation and day at the capitol. Toni will handle securing the hotel rooms for each director. Directors discussed scheduling a field trip to the Renewable Energy Laboratory.

**10. MISCELLANEOUS**

**A. Employee Recognition**

GM Link shared details on a recent employee recognition awarded to Wiley Freeman. Bill Riley shared that the employee recognition committee received an application for award under the humor category. Wiley's application was submitted by Becky Riley to honor Wiley Freeman who came in costume on Halloween. Wiley was dressed for Halloween to honor a poem by Shel Silverstein as "The man who forgot his pants. The committee awarded Wiley \$150 gift certificate for his humor that seemed to brighten up the day on Halloween at the Ridgway office.


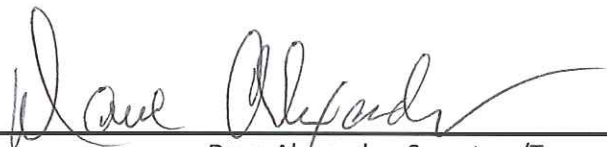
**12. NEXT MEETING**

Directors were informed of the upcoming SMPA Christmas party scheduled for Saturday, December 12, 2015. The party will begin at 5:30 p.m. at the Rim Rock Hotel in Naturita.

The December board meeting is scheduled for December 15, 2015. Directors chose to meet in Ridgway.

A retirement luncheon for Kevin Ritter is planned for Thursday, December 17, 2015 at noon in Ridgway.

The meeting was adjourned at 3:10 p.m.



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Dave Alexander, Secretary/Treasurer